ECONOMIC COMMENTARY

Alberta's Merchandise Exports Fell Sharply in 2015 because of Lower Oil and Gas Prices

March 30, 2016

Highlights:

In 2015, the value of Alberta's merchandise exports fell sharply by 24% to $92.3 billion as a result of much lower prices for oil and gas.

Alberta Government

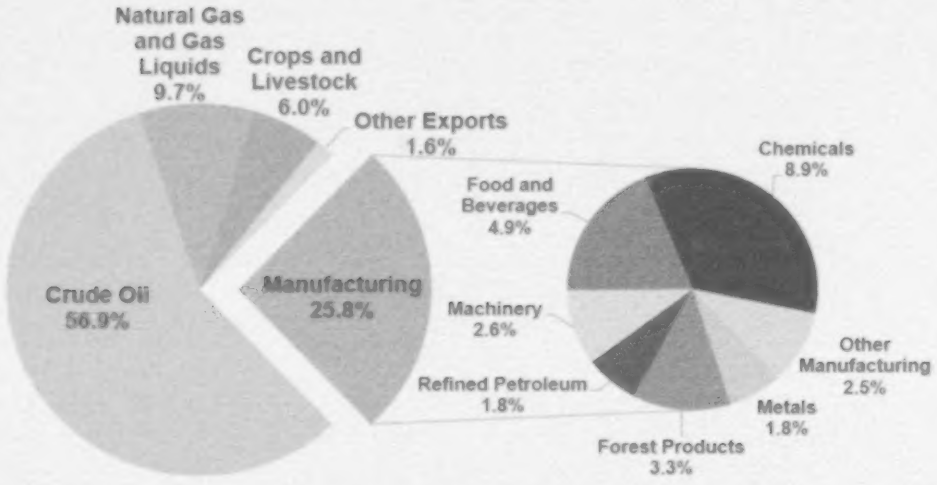
In 2015, the value of Alberta's merchandise exports declined by 24% from 2014 to $92.3 billion. This steep decline can be traced back to slumping oil and gas prices: export prices of both crude oil and natural gas fell 38% in 2015. Alberta accounted for 19% of Canadian exports in 2015, down from a 25% share in 2014.

Most of the 2015 decline is a result of sharply lower prices for oil and gas:

- The value of crude oil exports declined by 30.9% in 2015 to $52.5 billion and now account for 56.9% of total Alberta exports;
- Exports of gas and gas liquids fell 37.0% to a 17-year low of $8.9 billion and their export share was 9.7%;
- Manufactured goods' exports dropped 1.5% to $23.9 billion and their share was 25.8%. The largest manufacturing sectors were:
    - Chemicals accounted for 8.9% of total exports and these exports fell 2.3% in 2015 as a result of a sharp decline for petro-chemicals;
    - Food and beverages' share was 4.9% and exports rose 12.0% on increased sales of beef, canola products and pet food;
    - The share of forest products was 3.3% and exports increased by 10.9% on strong growth for wood pulp, oriented strand board and lumber;
    - Machinery's share was 2.6% and exports dropped sharply by 22.6% as sales of oil and gas field machinery plummeted;
- Exports of crops and livestock fell 1.7% to $5.5 billion, because of fewer cattle being shipped to the US, and their share was 6.0%.

Export Shares For Alberta's Industries in 2015

Total Exports $92.3 billion



Sources: Statistics Canada and Alberta Economic Development and Trade

On a monthly basis, Alberta exports remained strong through December 2014 as lower oil prices during the fourth quarter were offset by rising oil volumes. However, crude oil exports declined sharply throughout most of 2015 as falling prices more than offset rising export volumes. The export price of oil fell throughout 2015 and continued to weaken in the first few months of 2016. Although oil prices fell by 38% in 2015 export volumes of oil actually increased by about 11%. Natural gas prices declined sharply between February and April of 2015, but saw little change for the remainder of 2015. Gas prices also fell 38% in 2015 while export volumes rose 2%.

Alberta Exports have declined because of lower Oil and Gas Prices

Sources: Statistics Canada and Alberta Economic Development and Trade

Alberta exports excluding oil and gas were still rising (on a year-over-year basis) during the first three months of 2015 and weakened slightly since then. For all of 2015 exports excluding oil and gas declined by 1.5% from 2014. By January 2016, the value of these exports was 8% lower than in January 2015.

Although the value of Alberta's exports declined sharply in 2015, this was entirely the result of lower prices, especially for oil and gas. Total export volumes actually increased by an estimated 7% in 2015 from 2014, primarily because of an 11% rise in the volumes of crude oil exported which in turn was caused by surging oil sands output in 2015 as a number of new oil sands projects entered the production phase. Excluding oil and gas commodities Alberta's export volumes were basically unchanged in 2015.

The top 10 export commodities in 2015 were:

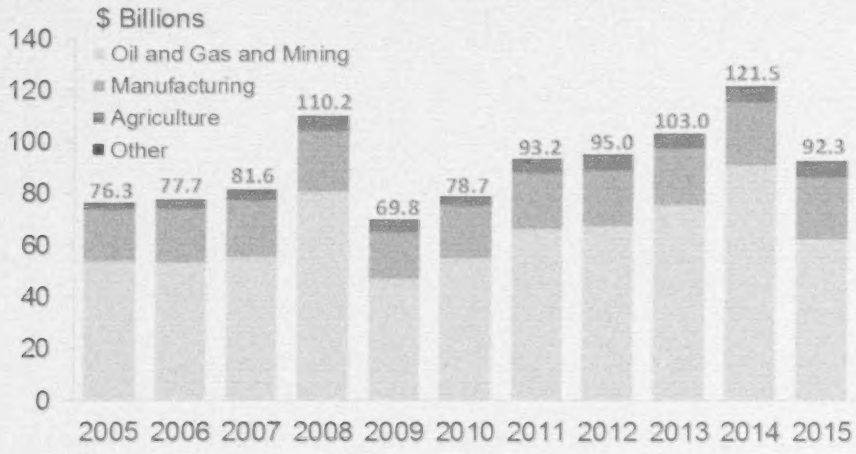
- Crude oil: $52.5 billion in 2015; down 30.9%
- Natural gas and gas liquids: $8.9 billion; down 37.0%
- Polyethylene and other ethylene polymers: $4.1 billion; up 5.7%
- Wheat (including durum wheat): $2.4 billion; up 3.3%
- Wood pulp: $1.7 billion; up 11.2%
- Canola: $1.7 billion; down 5.3%

- Beef: $1.5 billion; up 21.2%
- Ethylene glycol: $1.3 billion; down 9.3%
- Refined petroleum oils (such as diesel and gasoline): $1.2 billion; up 25.2%
- Anhydrous ammonia: $751 million; up 42.1%

Between 2005 and 2015, Alberta exports rose 21% while Canadian exports increased by 17%. Although the export value of crude oil dropped sharply in 2015, most of the export growth over the 10-year period was the result of a 154% jump in oil exports, which account for more than one-half of Alberta exports, as crude oil volumes rose 132% between 2005 and 2015.

Exports of natural gas, Alberta's second largest export commodity, fell 72% as a result of falling prices and volumes. Manufacturing exports grew by 21% between 2005 and 2015, and the agricultural sector led all sectors with growth of 158%.

Alberta's Goods Exports between 2005 and 2015



Sources: Statistics Canada and Alberta Economic Development and Trade

It is possible that Alberta exports will remain weak throughout most of 2016 because of Alberta's direct and indirect dependence on the oil and gas sector. Although oil prices have risen during the past two months, they are forecast to remain weak this year. Low oil and gas prices are also having an impact on export prices of refinery products, such as gasoline and diesel fuel, and of chemicals, while exports of oil and gas field machinery and equipment could fall further because of lower levels of drilling activity, especially in the U.S. On the other hand, the U.S. economy, which accounted for 87% of Alberta's 2015 exports, is expected to grow at a relatively robust pace this year, which in turn should benefit those Alberta sectors that don't depend on the oil and gas sector. The weak Canadian dollar may also benefit many Alberta exporters as they are now in a better position to compete in the U.S. market.